



One Financial Plaza
501 North Broadway
Suite 550
St. Louis, MO 63102
USA

Milliman.com

SENT VIA E-MAIL

July 6, 2009

Mr. Greg Burris
City Manager
City of Springfield

Mr. Ken Homan
Police and Fire Pension Fund Task Force
City of Springfield

RE: Police and Fire Retirement Fund – Updated Funded Ratio Projections

Dear Greg and Ken:

This letter summarizes our analysis and findings with respect to our most recent assignment on the Police and Fire Retirement Fund.

Assignment

Milliman was requested to update our October and December 2008 funded ratio projections. The specific assumptions utilized here are as follows:

- Tier 2 membership is closed and all current Tier 2 members are removed and refunded their own contributions
- A sales tax of either .25%, .5%, .625% or .875% commences July 1, 2010 (in amounts based on a 1% sales tax generating \$37 million annually, and increasing 1% per year)
- While the sales tax is in place, the City will contribute either 35% or 50% of payroll and 29.88% of payroll after the sales tax ends
- Investment return is either 7.5% per year or 3% per year for ten years and then 7.5% per year
- Sales tax would sunset after either five or ten years
- Funded ratios are calculated using the market, rather than smoothed, value of assets (note that the two methods converge once the Fund experiences five straight years of 7.5% return)

There are 32 resulting scenarios, which we have grouped into four graphs.

Methodology

The June 30, 2008 actuarial valuation results were used to project liabilities. Asset information was updated to reflect the Fund's May 31, 2009 market value of assets of \$113.2 million. We will be performing the five year review of the actuarial assumptions and expect that the



assumptions will be updated for the 2009 actuarial valuation. It is possible that new assumptions could have a significant impact on the liabilities.

Specific Scenarios

As mentioned above, the results of the 32 scenarios are contained on the four enclosed graphs. The results are organized as follows:

- Exhibit 1 shows the results with the various tax levels if the tax (and the City's increased contribution level) is in place for five years, investment return is 7.5% per year and the City's temporary contribution level is either 35% or 50% of payroll.
- Exhibit 2 shows the results with the various tax levels if the tax (and the City's increased contribution level) is in place for five years, investment return is 3% for ten years, then 7.5% per year and the City's temporary contribution level is either 35% or 50% of payroll.
- Exhibit 3 shows the results with the various tax levels if the tax (and the City's increased contribution level) is in place for ten years, investment return is 7.5% per year and the City's temporary contribution level is either 35% or 50% of payroll.
- Exhibit 4 shows the results with the various tax levels if the tax (and the City's increased contribution level) is in place for ten years, investment return is 3% for ten years, then 7.5% per year and the City's temporary contribution level is either 35% or 50% of payroll.

Analysis

The results here are significantly worse than those in our October and December 2008 projections. The primary reason is that investment return (market value basis) for the Fund's fiscal year through May 31, 2009 appears to be close to -20%, which is dramatically worse than what was used in last year's projections. Also, those projections reflected a potential 1% tax, which is higher than any of the rates used here. Additional analysis:

- The funded ratio is projected to continue to drop until the additional revenue begins to kick in.
- A tax that sunsets after five years is not projected to be sufficient to allow the Fund to reach either a 90% or 100% funded ratio or to avoid insolvency (see Exhibits 1 and 2)
- Even with a ten year sunset, tax rates of .25% and .5% are not projected sufficient to avoid insolvency (see the bottom four lines on Exhibits 3 and 4)
- With a ten year sunset, a tax rate of .875% appears to be sufficient to avoid insolvency under the scenarios run, and a rate of .625% may be sufficient if investment return of 7.5% is achieved.



- Even though the plan is closed to new entrants in the analysis, significant liabilities still exist in 2050. Consider that a 28 year old new entrant in 2008 has a reasonable probability of receiving a monthly benefit in 2070.

Certification and Disclaimers

In preparing this analysis we relied, without audit, on information (some oral and some in writing) supplied by the City. This information includes, but is not limited to, statutory provisions, employee data, and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this analysis is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Guides to Professional Conduct, amplifying Opinions, and supporting Recommendations of the American Academy of Actuaries.

Actuarial computations presented in this report are for purposes of projecting funded ratios under a variety of alternative scenarios. Determinations for purposes other than this analysis may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

The results will vary from those presented in this analysis to the extent actual experience differs from that projected by the actuarial assumptions.

Milliman is not a law firm and cannot render legal opinions. Our analysis is limited to the actuarial computations involved with the projection of the funding ratios. We can offer no advice or opinion on the practical or legal considerations of implementing a sales tax increase.

Milliman's work product was prepared exclusively for the City of Springfield for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning the City of Springfield's operations, and uses the City of Springfield's data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. The analysis, including the exhibits, should be referenced as a whole. Consideration of only subparts or excerpts could lead the user to incorrect conclusions. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

We respectfully submit the above analysis, and we look forward to discussing it with you.

July 6, 2009

Mr. Greg Burris and Mr. Ken Homan

Page 4



We are consulting actuaries for Milliman, Inc. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

A handwritten signature in black ink that appears to read "Michael J. Zwiener".

Michael J. Zwiener, FSA
Consulting Actuary

A handwritten signature in black ink that appears to read "Michael A. Sudduth".

Michael A. Sudduth, FSA
Actuary

Enclosure: Exhibits 1-4

City of Springfield Police Officers and Fire Fighters Retirement Fund

7.5% Assumed Return / Tax For 5 Years (Corresponds to Exhibit 1)

| Valuation Date | .25% Tax 35% of Payroll City Contribution | Funded Ratios Using Market Value of Assets | | | | | .50% of Payroll City Contribution | .625% Tax | .875% Tax |
|----------------|--|--|-----------|-----------|----------|---------|-----------------------------------|-----------|-----------|
| | | .5% Tax | .625% Tax | .875% Tax | .25% Tax | .5% Tax | | | |
| 2008 | 43.4% | 43.4% | 43.4% | 43.4% | 43.4% | 43.4% | 43.4% | 43.4% | 43.4% |
| 2009 | 36.4% | 36.4% | 36.4% | 36.4% | 36.4% | 36.4% | 36.4% | 36.4% | 36.4% |
| 2010 | 34.9% | 34.9% | 34.9% | 34.9% | 34.9% | 34.9% | 34.9% | 34.9% | 34.9% |
| 2011 | 36.5% | 39.3% | 40.7% | 43.5% | 37.6% | 40.4% | 41.8% | 44.6% | 44.6% |
| 2012 | 37.8% | 43.4% | 46.2% | 51.7% | 40.0% | 45.6% | 48.3% | 53.9% | 53.9% |
| 2013 | 39.0% | 47.3% | 51.5% | 59.8% | 42.2% | 50.5% | 54.7% | 63.0% | 63.0% |
| 2014 | 39.9% | 51.0% | 56.6% | 67.7% | 44.1% | 55.2% | 60.8% | 71.8% | 71.8% |
| 2015 | 40.7% | 54.6% | 61.5% | 75.4% | 45.8% | 59.7% | 66.7% | 80.6% | 80.6% |
| 2016 | 38.5% | 52.9% | 60.1% | 74.5% | 43.9% | 58.2% | 65.4% | 79.8% | 79.8% |
| 2017 | 36.2% | 51.1% | 58.5% | 73.5% | 41.7% | 56.6% | 64.1% | 79.0% | 79.0% |
| 2018 | 33.6% | 49.1% | 56.9% | 72.4% | 39.4% | 54.9% | 62.7% | 78.1% | 78.1% |
| 2019 | 31.2% | 47.4% | 55.6% | 71.9% | 37.2% | 53.5% | 61.7% | 77.9% | 77.9% |
| 2020 | 28.4% | 45.6% | 54.2% | 71.3% | 34.8% | 52.0% | 60.6% | 77.7% | 77.7% |
| 2021 | 25.3% | 43.5% | 52.5% | 70.7% | 32.1% | 50.2% | 59.3% | 77.4% | 77.4% |
| 2022 | 21.8% | 41.0% | 50.7% | 69.9% | 29.0% | 48.2% | 57.8% | 77.0% | 77.0% |
| 2023 | 17.8% | 38.3% | 48.5% | 69.0% | 25.4% | 45.9% | 56.1% | 76.6% | 76.6% |
| 2024 | 13.3% | 35.1% | 46.1% | 67.9% | 21.5% | 43.3% | 54.2% | 76.0% | 76.0% |
| 2025 | 8.2% | 31.6% | 43.2% | 66.6% | 16.9% | 40.3% | 51.9% | 75.3% | 75.3% |
| 2026 | 2.5% | 27.5% | 40.0% | 65.1% | 11.8% | 36.9% | 49.4% | 74.4% | 74.4% |
| 2027 | 0.0% | 23.0% | 36.4% | 63.4% | 6.0% | 33.0% | 46.5% | 73.5% | 73.5% |
| 2028 | 0.0% | 17.9% | 32.4% | 61.5% | 0.0% | 28.7% | 43.3% | 72.4% | 72.4% |
| 2029 | 0.0% | 12.2% | 27.9% | 59.4% | 0.0% | 23.9% | 39.7% | 71.1% | 71.1% |
| 2030 | 0.0% | 5.8% | 22.9% | 57.0% | 0.0% | 18.5% | 35.6% | 69.7% | 69.7% |
| 2031 | 0.0% | 0.0% | 17.2% | 54.3% | 0.0% | 12.5% | 31.0% | 68.1% | 68.1% |
| 2032 | 0.0% | 0.0% | 10.9% | 51.2% | 0.0% | 5.7% | 25.9% | 66.2% | 66.2% |
| 2033 | 0.0% | 0.0% | 3.8% | 47.8% | 0.0% | 0.0% | 20.2% | 64.2% | 64.2% |
| 2034 | 0.0% | 0.0% | 0.0% | 44.0% | 0.0% | 0.0% | 13.8% | 61.9% | 61.9% |
| 2035 | 0.0% | 0.0% | 0.0% | 39.7% | 0.0% | 0.0% | 6.6% | 59.3% | 59.3% |
| 2036 | 0.0% | 0.0% | 0.0% | 34.8% | 0.0% | 0.0% | 0.0% | 56.3% | 56.3% |
| 2037 | 0.0% | 0.0% | 0.0% | 29.4% | 0.0% | 0.0% | 0.0% | 53.0% | 53.0% |
| 2038 | 0.0% | 0.0% | 0.0% | 23.3% | 0.0% | 0.0% | 0.0% | 49.3% | 49.3% |
| 2039 | 0.0% | 0.0% | 0.0% | 16.3% | 0.0% | 0.0% | 0.0% | 45.1% | 45.1% |
| 2040 | 0.0% | 0.0% | 0.0% | 8.5% | 0.0% | 0.0% | 0.0% | 40.3% | 40.3% |
| 2041 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 34.9% | 34.9% |
| 2042 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 28.7% | 28.7% |

City of Springfield Police Officers and Fire Fighters Retirement Fund

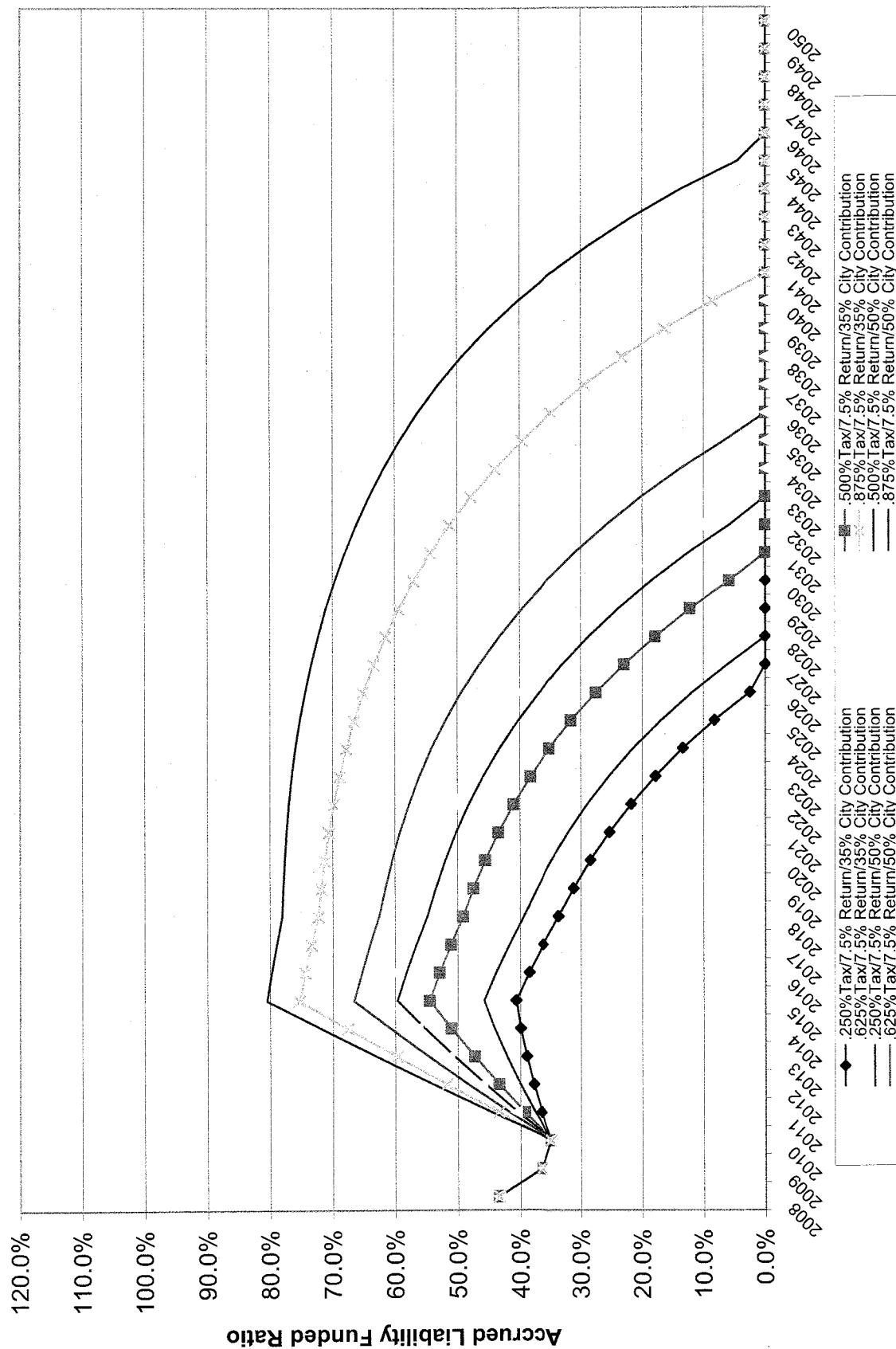
7.5% Assumed Return / Tax For 5 Years (Corresponds to Exhibit 1)

| Valuation Date | .25% Tax | .5% Tax | .625% Tax | .75% Tax | Market Value of Assets |
|----------------|----------------------------------|----------------------------------|-----------|----------|-----------------------------------|
| | 35% of Payroll City Contribution | 35% of Payroll City Contribution | .625% Tax | .75% Tax | .50% of Payroll City Contribution |
| 2043 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 2044 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 2045 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 2046 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 2047 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 2048 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 2049 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 2050 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

Exhibit 1 7.5% Investment Return

City of Springfield Police Officers and Fire Fighters Retirement Fund

Plan Closed/Tier 2 Employees Removed/Various Tax Rates For 5 Years Starting July 2010



City of Springfield Police Officers and Fire Fighters Retirement Fund

3% Return for 10 Years, then 7.5%/ Tax For 5 Years (Corresponds to Exhibit 2)

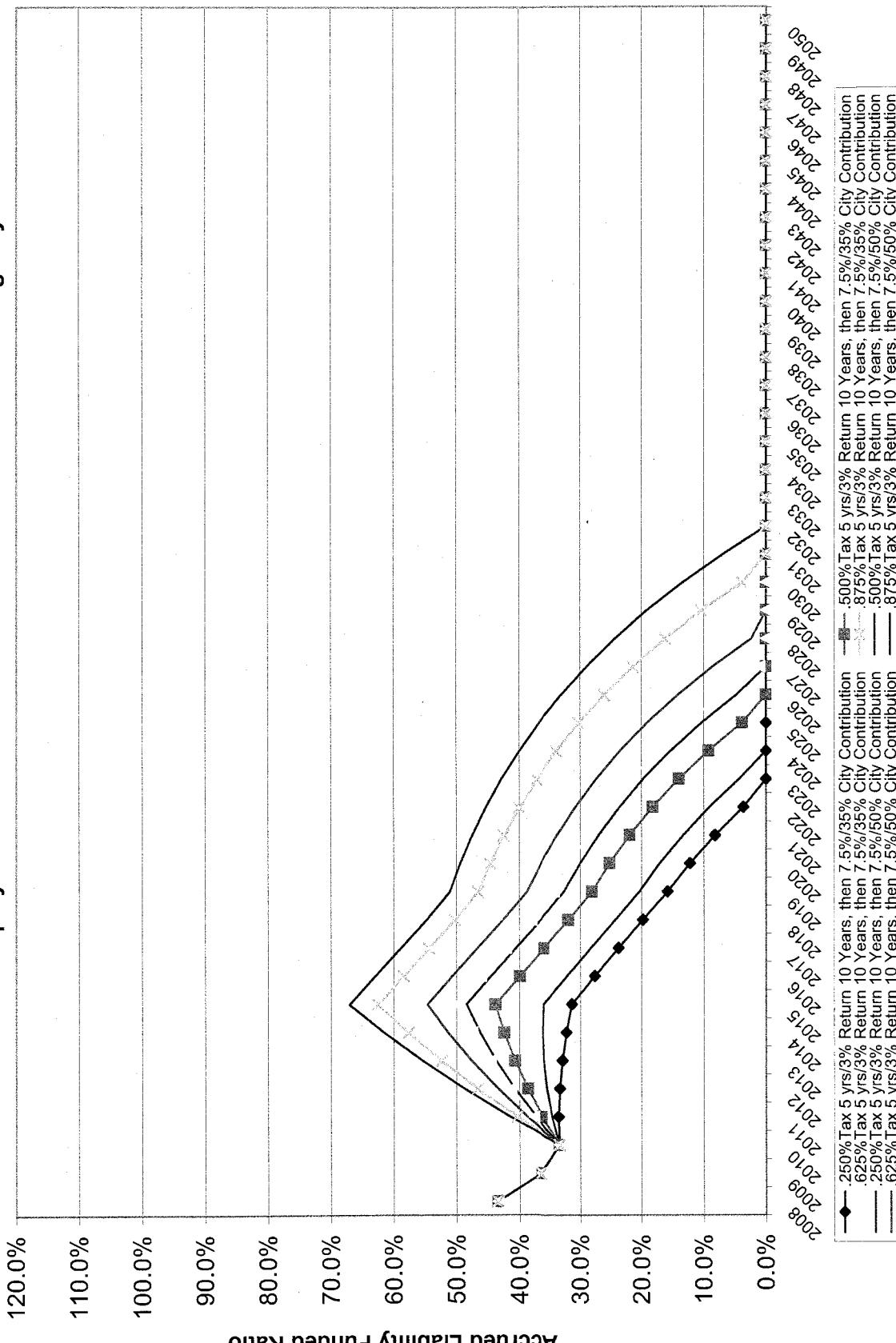
City of Springfield Police Officers and Fire Fighters Retirement Fund

3% Return for 10 Years, then 7.5%/Tax For 5 Years (Corresponds to Exhibit 2)

| Valuation Date | .25% Tax 35% of Payroll City Contribution | Funded Ratios Using Market Value of Assets | | | | |
|-------------------|--|--|--|---|---|---|
| | | .625% Tax .875% Tax 50% of Payroll City Contribution | .25% Tax .5% Tax .50% of Payroll City Contribution | .5% Tax .625% Tax .50% of Payroll City Contribution | .625% Tax .875% Tax .50% of Payroll City Contribution | .875% Tax .875% Tax .50% of Payroll City Contribution |
| 2043 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 2044 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 2045 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 2046 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 2047 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 2048 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 2049 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 2050 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

Exhibit 2
Poor Investment Experience

City of Springfield Police Officers and Fire Fighters Retirement Fund
Plan Closed/Tier 2 Employees Removed/Various Tax Rates For 5 Years Starting July 2010



City of Springfield Police Officers and Fire Fighters Retirement Fund

7.5% Assumed Return / Tax For 10 Years (Corresponds to Exhibit 3)

| Valuation Date | .25% Tax | .5% Tax | .625% Tax | .875% Tax | Funded Ratios Using Market Value of Assets | .25% Tax | .5% Tax | .625% Tax | .875% Tax |
|----------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | 35% of Payroll City Contribution | 50% of Payroll City Contribution | 50% of Payroll City Contribution | 50% of Payroll City Contribution | 50% of Payroll City Contribution | 50% of Payroll City Contribution |
| 2008 | 43.4% | 43.4% | 43.4% | 43.4% | 43.4% | 43.4% | 43.4% | 43.4% | 43.4% |
| 2009 | 36.4% | 36.4% | 36.4% | 36.4% | 36.4% | 36.4% | 36.4% | 36.4% | 36.4% |
| 2010 | 34.9% | 34.9% | 34.9% | 34.9% | 34.9% | 34.9% | 34.9% | 34.9% | 34.9% |
| 2011 | 36.5% | 39.3% | 40.7% | 43.5% | 37.6% | 40.4% | 41.8% | 44.6% | 44.6% |
| 2012 | 37.8% | 43.4% | 46.2% | 51.7% | 40.0% | 45.6% | 48.3% | 53.9% | 53.9% |
| 2013 | 39.0% | 47.3% | 51.5% | 59.8% | 42.2% | 50.5% | 54.7% | 63.0% | 63.0% |
| 2014 | 39.9% | 51.0% | 56.6% | 67.7% | 44.1% | 55.2% | 60.8% | 71.8% | 71.8% |
| 2015 | 40.7% | 54.6% | 61.5% | 75.4% | 45.8% | 59.7% | 66.7% | 80.6% | 80.6% |
| 2016 | 41.2% | 58.0% | 66.3% | 83.1% | 47.3% | 64.1% | 72.5% | 89.2% | 89.2% |
| 2017 | 41.6% | 61.3% | 71.1% | 90.8% | 48.6% | 68.3% | 78.2% | 97.9% | 97.9% |
| 2018 | 41.8% | 64.5% | 75.9% | 98.6% | 49.8% | 72.5% | 83.9% | 106.6% | 106.6% |
| 2019 | 42.2% | 68.3% | 81.4% | 107.5% | 51.2% | 77.3% | 90.4% | 116.5% | 116.5% |
| 2020 | 42.5% | 72.2% | 87.1% | 116.8% | 52.6% | 82.3% | 97.2% | 126.9% | 126.9% |
| 2021 | 40.2% | 71.6% | 87.3% | 118.8% | 50.9% | 82.3% | 98.0% | 129.4% | 129.4% |
| 2022 | 37.6% | 70.9% | 87.5% | 120.9% | 48.9% | 82.2% | 98.8% | 132.2% | 132.2% |
| 2023 | 34.6% | 70.0% | 87.7% | 123.2% | 46.6% | 82.0% | 99.7% | 135.2% | 135.2% |
| 2024 | 31.2% | 69.0% | 87.9% | 125.7% | 44.0% | 81.8% | 100.7% | 138.5% | 138.5% |
| 2025 | 27.4% | 67.8% | 88.0% | 128.5% | 41.1% | 81.5% | 101.7% | 142.2% | 142.2% |
| 2026 | 23.0% | 66.4% | 88.1% | 131.5% | 37.7% | 81.1% | 102.8% | 146.3% | 146.3% |
| 2027 | 18.1% | 64.8% | 88.2% | 134.9% | 33.9% | 80.7% | 104.1% | 150.8% | 150.8% |
| 2028 | 12.6% | 63.1% | 88.3% | 138.7% | 29.7% | 80.2% | 105.4% | 155.8% | 155.8% |
| 2029 | 6.5% | 61.0% | 88.3% | 142.8% | 25.0% | 79.5% | 106.8% | 161.3% | 161.3% |
| 2030 | 0.0% | 58.8% | 88.3% | 147.4% | 19.7% | 78.8% | 108.4% | 167.5% | 167.5% |
| 2031 | 0.0% | 56.2% | 88.3% | 152.5% | 13.8% | 78.0% | 110.1% | 174.3% | 174.3% |
| 2032 | 0.0% | 53.3% | 88.3% | 158.2% | 7.1% | 77.0% | 112.0% | 181.9% | 181.9% |
| 2033 | 0.0% | 50.1% | 88.2% | 164.5% | 0.0% | 75.9% | 114.1% | 190.3% | 190.3% |
| 2034 | 0.0% | 46.5% | 88.1% | 171.5% | 0.0% | 74.7% | 116.4% | 199.7% | 199.7% |
| 2035 | 0.0% | 42.4% | 88.0% | 179.3% | 0.0% | 73.3% | 119.0% | 210.2% | 210.2% |
| 2036 | 0.0% | 37.8% | 87.9% | 188.0% | 0.0% | 71.8% | 121.8% | 221.9% | 221.9% |
| 2037 | 0.0% | 32.7% | 87.7% | 197.7% | 0.0% | 70.0% | 125.0% | 235.0% | 235.0% |
| 2038 | 0.0% | 26.9% | 87.5% | 208.7% | 0.0% | 68.0% | 128.6% | 249.8% | 249.8% |
| 2039 | 0.0% | 20.4% | 87.3% | 221.0% | 0.0% | 65.7% | 132.6% | 266.4% | 266.4% |
| 2040 | 0.0% | 12.9% | 87.0% | 235.0% | 0.0% | 63.2% | 137.2% | 285.2% | 285.2% |
| 2041 | 0.0% | 4.5% | 86.6% | 250.8% | 0.0% | 60.2% | 142.3% | 306.5% | 306.5% |
| 2042 | 0.0% | 0.0% | 86.2% | 268.7% | 0.0% | 56.9% | 148.1% | 330.7% | 330.7% |

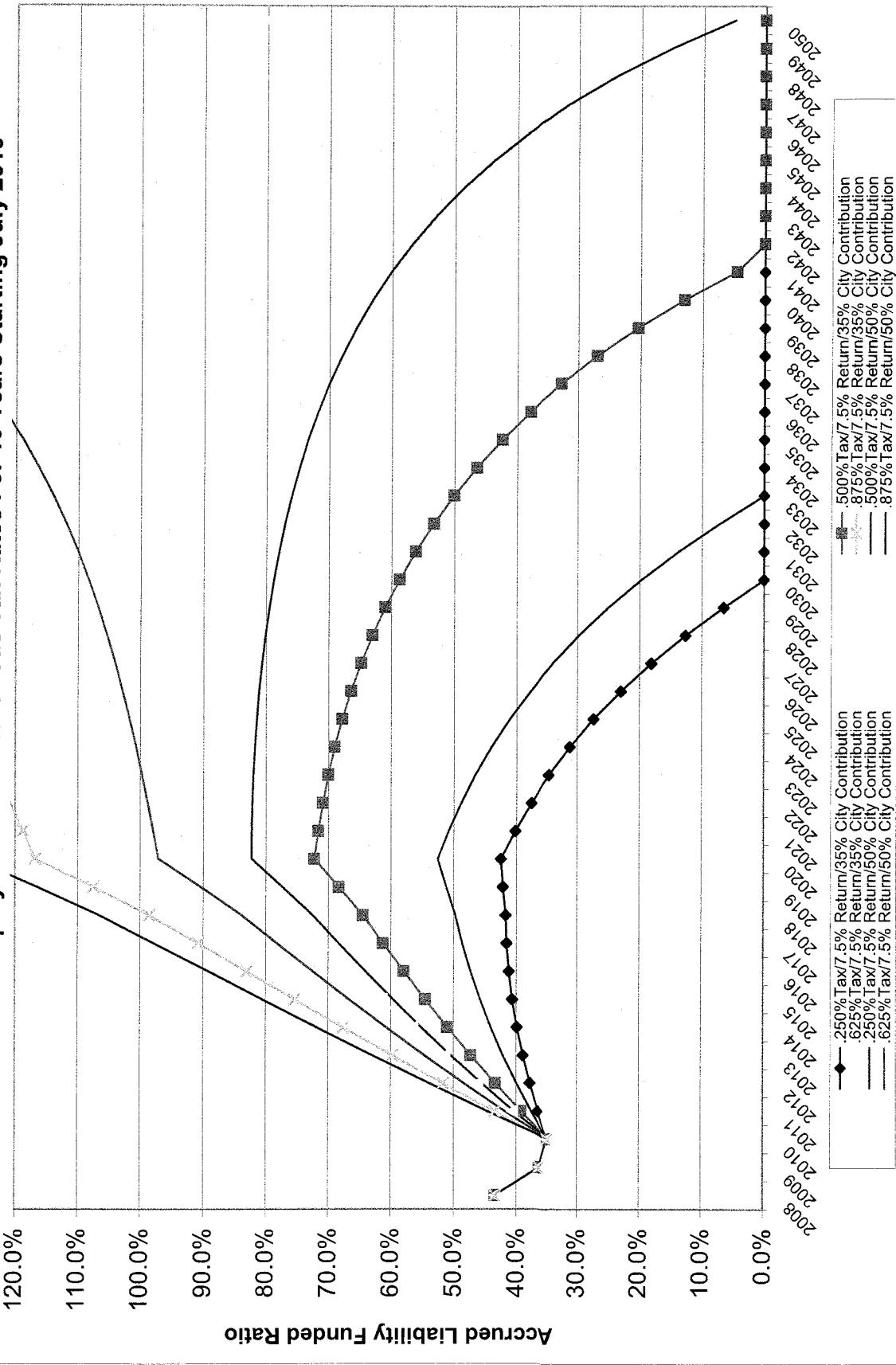
City of Springfield Police Officers and Fire Fighters Retirement Fund

7.5% Assumed Return / Tax For 10 Years (Corresponds to Exhibit 3)

| Valuation Date | Funded Ratios Using Market Value of Assets | | | | | |
|----------------|--|---------|-----------|-----------|----------|-----------|
| | .25% Tax | .5% Tax | .625% Tax | .875% Tax | .25% Tax | .5% Tax |
| | 35% of Payroll City Contribution | | | | | .625% Tax |
| 2043 | 0.0% | 0.0% | 85.8% | 289.2% | 0.0% | 53.1% |
| 2044 | 0.0% | 0.0% | 85.3% | 312.4% | 0.0% | 48.8% |
| 2045 | 0.0% | 0.0% | 84.7% | 339.1% | 0.0% | 43.8% |
| 2046 | 0.0% | 0.0% | 84.0% | 369.7% | 0.0% | 38.1% |
| 2047 | 0.0% | 0.0% | 83.3% | 404.9% | 0.0% | 31.5% |
| 2048 | 0.0% | 0.0% | 82.4% | 445.5% | 0.0% | 24.0% |
| 2049 | 0.0% | 0.0% | 81.3% | 492.7% | 0.0% | 15.2% |
| 2050 | 0.0% | 0.0% | 80.1% | 547.7% | 0.0% | 5.0% |

Exhibit 3
7.5% Investment Return

City of Springfield Police Officers and Fire Fighters Retirement Fund Plan Closed/Tier 2 Employees Removed/Various Tax Rates For 10 Years Starting July 2010



City of Springfield Police Officers and Fire Fighters Retirement Fund

3% Return for 10 Years, then 7.5% Tax For 10 Years (Corresponds to Exhibit 4)

| Valuation Date | .25% Tax | .5% Tax | .625% Tax | .875% Tax | Funded Ratios Using Market Value of Assets | .25% Tax | .5% Tax | .625% Tax | .875% Tax |
|----------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|--|----------|---------|-----------|-----------|
| | 35% of Payroll City Contribution | 35% of Payroll City Contribution | 35% of Payroll City Contribution | 50% of Payroll City Contribution | 43.4% | 43.4% | 43.4% | 43.4% | 43.4% |
| 2008 | 43.4% | 43.4% | 43.4% | 43.4% | 43.4% | 43.4% | 43.4% | 43.4% | 43.4% |
| 2009 | 36.4% | 36.4% | 36.4% | 36.4% | 36.4% | 36.4% | 36.4% | 36.4% | 36.4% |
| 2010 | 33.4% | 33.4% | 33.4% | 33.4% | 33.4% | 33.4% | 33.4% | 33.4% | 33.4% |
| 2011 | 33.5% | 36.2% | 37.6% | 40.3% | 34.6% | 37.3% | 38.7% | 41.4% | 41.4% |
| 2012 | 33.3% | 38.6% | 41.3% | 46.6% | 35.4% | 40.7% | 43.4% | 48.7% | 48.7% |
| 2013 | 32.9% | 40.7% | 44.6% | 52.4% | 35.9% | 43.7% | 47.6% | 55.4% | 55.4% |
| 2014 | 32.3% | 42.4% | 47.5% | 57.6% | 36.1% | 46.2% | 51.3% | 61.5% | 61.5% |
| 2015 | 31.3% | 43.8% | 50.0% | 62.4% | 36.0% | 48.4% | 54.6% | 67.0% | 67.0% |
| 2016 | 30.2% | 44.9% | 52.2% | 66.9% | 35.6% | 50.2% | 57.6% | 72.2% | 72.2% |
| 2017 | 28.9% | 45.7% | 54.1% | 71.0% | 34.9% | 51.7% | 60.1% | 77.0% | 77.0% |
| 2018 | 27.4% | 46.3% | 55.8% | 74.8% | 34.0% | 53.0% | 62.5% | 81.4% | 81.4% |
| 2019 | 25.9% | 47.2% | 57.8% | 79.1% | 33.2% | 54.4% | 65.1% | 86.4% | 86.4% |
| 2020 | 25.3% | 50.0% | 62.3% | 86.9% | 33.5% | 58.2% | 70.5% | 95.1% | 95.1% |
| 2021 | 22.0% | 48.1% | 61.1% | 87.1% | 30.7% | 56.8% | 69.8% | 95.8% | 95.8% |
| 2022 | 18.3% | 45.9% | 59.7% | 87.3% | 27.5% | 55.2% | 69.0% | 96.6% | 96.6% |
| 2023 | 14.1% | 43.5% | 58.2% | 87.5% | 23.9% | 53.3% | 68.0% | 97.3% | 97.3% |
| 2024 | 9.4% | 40.7% | 56.4% | 87.7% | 19.8% | 51.2% | 66.8% | 98.1% | 98.1% |
| 2025 | 4.0% | 37.5% | 54.3% | 87.8% | 15.2% | 48.7% | 65.5% | 99.0% | 99.0% |
| 2026 | 0.0% | 33.9% | 51.9% | 87.9% | 9.9% | 45.9% | 63.9% | 99.9% | 99.9% |
| 2027 | 0.0% | 29.8% | 49.2% | 87.9% | 4.0% | 42.8% | 62.1% | 100.9% | 100.9% |
| 2028 | 0.0% | 25.3% | 46.2% | 88.0% | 0.0% | 39.2% | 60.1% | 101.9% | 101.9% |
| 2029 | 0.0% | 20.2% | 42.8% | 88.0% | 0.0% | 35.3% | 57.9% | 103.1% | 103.1% |
| 2030 | 0.0% | 14.5% | 39.0% | 88.0% | 0.0% | 30.8% | 55.3% | 104.3% | 104.3% |
| 2031 | 0.0% | 8.1% | 34.7% | 87.9% | 0.0% | 25.9% | 52.5% | 105.7% | 105.7% |
| 2032 | 0.0% | 1.0% | 29.9% | 87.9% | 0.0% | 20.3% | 49.3% | 107.2% | 107.2% |
| 2033 | 0.0% | 0.0% | 24.6% | 87.8% | 0.0% | 14.1% | 45.7% | 108.9% | 108.9% |
| 2034 | 0.0% | 0.0% | 18.6% | 87.6% | 0.0% | 7.1% | 41.6% | 110.7% | 110.7% |
| 2035 | 0.0% | 0.0% | 11.9% | 87.5% | 0.0% | 0.0% | 37.1% | 112.7% | 112.7% |
| 2036 | 0.0% | 0.0% | 4.3% | 87.3% | 0.0% | 0.0% | 32.0% | 115.0% | 115.0% |
| 2037 | 0.0% | 0.0% | 0.0% | 87.1% | 0.0% | 0.0% | 26.3% | 117.5% | 117.5% |
| 2038 | 0.0% | 0.0% | 0.0% | 86.8% | 0.0% | 0.0% | 19.9% | 120.3% | 120.3% |
| 2039 | 0.0% | 0.0% | 0.0% | 86.5% | 0.0% | 0.0% | 12.6% | 123.5% | 123.5% |
| 2040 | 0.0% | 0.0% | 0.0% | 86.1% | 0.0% | 0.0% | 4.4% | 127.1% | 127.1% |
| 2041 | 0.0% | 0.0% | 0.0% | 85.7% | 0.0% | 0.0% | 0.0% | 131.1% | 131.1% |
| 2042 | 0.0% | 0.0% | 0.0% | 85.2% | 0.0% | 0.0% | 0.0% | 135.7% | 135.7% |

City of Springfield Police Officers and Fire Fighters Retirement Fund

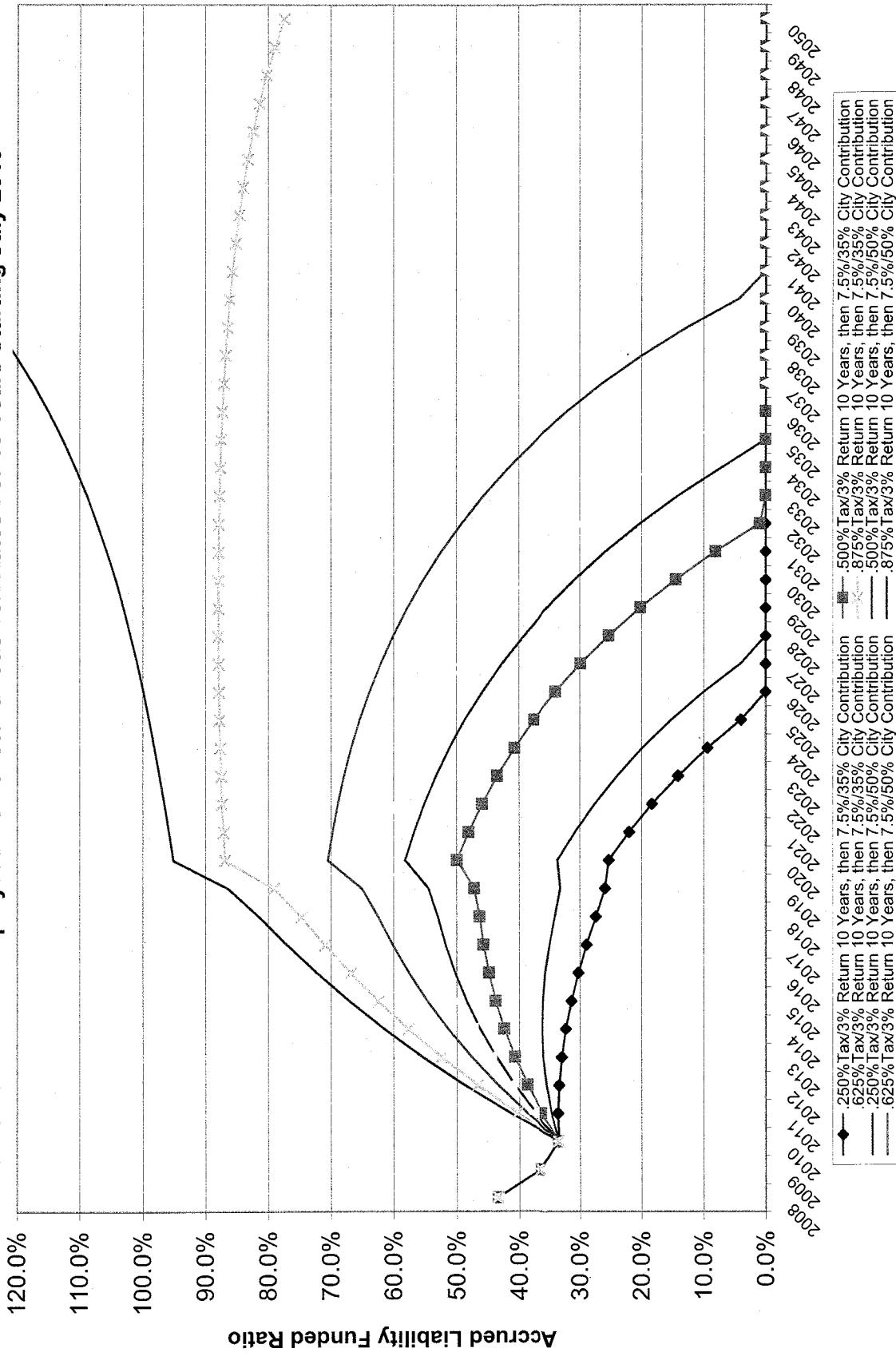
3% Return for 10 Years, then 7.5%/ Tax For 10 Years (Corresponds to Exhibit 4)

| Valuation Date | Funded Ratios Using Market Value of Assets | | | | | | | |
|-------------------|--|---|---|---|--|---|---|---|
| | .25% Tax 35% of Payroll City Contribution | .5% Tax 35% of Payroll City Contribution | .625% Tax 35% of Payroll City Contribution | .875% Tax 35% of Payroll City Contribution | .25% Tax 50% of Payroll City Contribution | .5% Tax 50% of Payroll City Contribution | .625% Tax 50% of Payroll City Contribution | .875% Tax 50% of Payroll City Contribution |
| 2043 | 0.0% | 0.0% | 0.0% | 84.6% | 0.0% | 0.0% | 0.0% | 140.9% |
| 2044 | 0.0% | 0.0% | 0.0% | 84.0% | 0.0% | 0.0% | 0.0% | 146.8% |
| 2045 | 0.0% | 0.0% | 0.0% | 83.2% | 0.0% | 0.0% | 0.0% | 153.6% |
| 2046 | 0.0% | 0.0% | 0.0% | 82.4% | 0.0% | 0.0% | 0.0% | 161.4% |
| 2047 | 0.0% | 0.0% | 0.0% | 81.4% | 0.0% | 0.0% | 0.0% | 170.4% |
| 2048 | 0.0% | 0.0% | 0.0% | 80.2% | 0.0% | 0.0% | 0.0% | 180.7% |
| 2049 | 0.0% | 0.0% | 0.0% | 78.9% | 0.0% | 0.0% | 0.0% | 192.8% |
| 2050 | 0.0% | 0.0% | 0.0% | 77.4% | 0.0% | 0.0% | 0.0% | 206.8% |

Poor Investment Return

City of Springfield Police Officers and Fire Fighters Retirement Fund

Plan Closed/Tier 2 Employees Removed/Various Tax Rates For 10 Years Starting July 2010



Police Fire Pension Task Force
Subcommittee #2 Sales Tax Proposal

| | 1/4% | 3/8% | 1/2% | 5/8% | 3/4% | 7/8% | 1% |
|---|-------------------------|------|------|------|------|------|----|
| Daniels | | | 2 | 1 | | | |
| Homan | | | | | | 2 | 1 |
| Horton | | | | 2 | 1 | | |
| Jeffries | 2 | 1 | | | | | |
| Trippe | | | | | 1 | 2 | |
| | 2 | 1 | 2 | 3 | 2 | 4 | 1 |
| | Two Points=First Choice | | | | | | |
| | One Point=Second Choice | | | | | | |
| | | | | | | | |
| <p>Daniels: I thought a little explanation regarding my reasoning for my selection of sales tax amounts was in order. I have had the opportunity to speak to a variety of people during the last couple of months as I'm sure everyone on the task force has. People from all walks of life have approached me knowing I'm on the task force. Just today, without asking for any opinions, a waitress, restaurant owner, two employees at the license bureau, a business-owner, a developer approached me to voice their concerns about the direction of the task force. All of them indicated that they are confident that nothing larger than a 1/2 cent sales tax will ever pass with the people. While they acknowledge that new leadership is now in charge of the City both with a City Manager and a new City Council, many have indicated that they voted down a 1 cent sales tax for two reasons. First, because it was simply too much but secondly, it was a vote to send a message to the City. A message about their disappointment about how things had been handled in the past. From my communication with people the voters are open to accepting some level of a tax but anything too aggressive will be voted down - one man told me today, if for no other reason....just for the principal of it. ne additional thought that has come up. People have indicated that the public understands 1/4 cent, 1/2 cent, etc. There is a concern that some of the voters will not understand 3/8, 5/8, 7/8. I have heard this comment a couple of times. With all of the information the task force has received, it's understandable that the group feels just the same as the City. That a 1 cent sales tax is the most efficient way to quickly resolve this growing underfunding problem. However, like I said in the last meeting, the City has this one chance to get a solution. We, as a task force, must come up with something that will pass. Taking a stand that is too aggressive, in my opinion, will most likely fail and the consequences of this are just too severe to even risk.</p> | | | | | | | |
| | | | | | | | |
| <p>Homan: I agree with Bob Jones at the Task Force meeting last week. We can all speculate about what will or will not pass. I don't think anyone can get a representative enough sampling to come to a worthwhile conclusion. I would like to see some professional sampling done but even that would be of little value now because I am still convinced we can make a difference by getting good information in the hands of the public before an actual vote. Prior to the February sale tax vote. I talked to people, attended the presentations, gave the presentations, went door-to-door alone, etc. and found very few who would admit that they were going to vote against the sales tax. Obviously, they were not being forthright, for whatever reason. I think the best approach is to make the recommendation that is the most sound and hope thoughtful reason and analysis rules the day. I prefer 7/8% because I think we can (and should) find other revenue sources to contribute a significant portion of the shortfall. I think 7/8ths, along with other revenue and good investment experience, can get us in good shape in five years.</p> | | | | | | | |
| | | | | | | | |

Police Fire Pension Task Force
Subcommittee #2 Sales Tax Proposal

Horton: Whereas I would rather see a 1% tax to see this get solved faster, I don't see anyway this is a passable solution. I think a 5/8% is passable if enough education is done beforehand. This is all combined with the restructuring of the board and their duties, altering the pension plan in areas discussed and, most importantly, showing how important this is to get fixed. I think when we hear the comment that the "city should take responsibility and tighten their belts", we should realize that there are 1600+ employees of the city and are their opportunities for this to happen or are we at a point where we are going to start losing valuable city employees if we continue on the path we are on.

Jeffries: One problem with this is that nothing can really be considered by itself. We need to consider taxes in conjunction with the city contribution. I pick those two rates realizing in both cases that it would only work if the City continues to contribute more than 28.8%, and if the current plan is closed to new participants and they are placed in LAGERS.

Trippe: Ultimately this is a vote of confidence for the city. The 1 penny sales tax may have been necessary to retire the pension shortfall, but the citizens of Springfield voted (narrowly) to reject the sales tax. I believe that some of those citizens believed that there had been mismanagement on the part of the city managers, staff, council and the pension board. There has been a change of city managers, city council and there is a real possibility of a change in the pension board. The debt is real and might be much worse than we fear. I choose 7/8 cent because that has a chance of being enough so that we only have to bring this to a vote of the people twice. 3/4 cent may be enough to achieve this depending on the actuarial report. Earlier the city manager felt that a penny would require only one vote of the people. I think that even the city manager thinks that may be too optimistic. My rough calculations put Marshfield, Republic, Ozark and Joplin higher in sale tax even if we raise the sales tax 7/8 cent in Springfield. The middle of the pack of 10 communities that border our city. In any event sales tax should not be a reason to shop elsewhere. I must end now but I would be happy to provide a further rationale later.